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SIPDIS

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TAGS: [ECPS](#) [ETRD](#) [EINT](#) [BR](#)

SUBJECT: DEFINING DTV HITS A BUMP; MISSION STRATEGY FOR
ENGAGEMENT

REFS:

[1](#)A. RIO 0108
[1](#)B. 02 BRASILIA 3393
[1](#)C. 02 BRASILIA 1639
D.01 BRASILIA 3714

SENSITIVE BUT UNCLASSIFIED, PLEASE TREAT ACCORDINGLY

[1](#)1. (SBU) SUMMARY. On January 23, new Minister of Communications Miro Teixeira proposed that the GoB form an inter-ministerial group to study and present findings on the viability of a made-in-Brazil digital television (DTV) standard. The announcement immediately followed Teixeira's review of a CPqD (Centro de Pesquisa e Desenvolvimento em Telecomunicacoes) report espousing the benefits of an indigenous standard (Note. CPqD is an independent research institute based in Campinas, Sao Paulo. End Note.) Although Teixeira had previously made statements that Brazil should go it alone on DTV, most informed sources assumed the new minister was still in his reading-in period. Teixeira's declared intention is to produce a definitive GoB decision on DTV in the next six months, with implementation to start in 2005. END SUMMARY.

[1](#)2. (SBU) BACKGROUND. The GoB has been debating the DTV decision for the past several years. In 2000, Globo sponsored a series of tests that supposedly established the Japanese standard as the "technically superior" model based on its alleged mobile capabilities (reftel D). Since that time, the debate within ANATEL and Ministry of Communications (MOC) circles turned from technical points to discussion about the need to define the "business model" and solicit "offsets." In April 2002, then-Minister of Communications Juarez Quadros told Ambassador the MOC viewed the technical capabilities of all three standards as approaching parity, and therefore a non-issue (reftel C).

[1](#)3. (SBU) In September 2002, the outgoing GoB sang its swan song on the subject by publishing an official strategy defining technical requirements, outlining desirable "deliverables" to be negotiated, and expanding participation in the process to several ministries (reftel B). As we commented at the time, in so doing the GoB brought the DTV process in effect back to square one. END BACKGROUND.

ENTER THE NEW BOSS, NOT ENTIRELY LIKE THE OLD BOSS

[1](#)4. (U) Shortly after being sworn-in as Minister of Communications, Miro Teixeira (bio in reftel A) suggested that Brazil develop its own DTV standard, perhaps in partnership with China and/or India. Although many informed insiders believed the Minister was simply not up to speed on the issue, CPqD subsequently gave force to his assertions by presenting a report on the feasibility of the indigenous standard concept. According to the CPqD report, a Brazilian DTV standard could be created within a year and be ready for debut in mid-2005. The quoted R\$100 million cost would be financed by FUNTTEL (Fund for Telecommunications Technological Development.) Proponents of the report claim Brazil could reduce unit cost by avoiding royalties, while creating a potential export platform for other countries that might adopt the Brazilian standard. (Comment: CPqD is a former government research institute that underwent phased-privatization over a number of years, and now must seek its own financing sources. The credibility of the organization is unclear.)

THOSE WHO CANNOT REMEMBER THE PAST.

[1](#)5. (SBU) Teixeira, in making his earlier comments and now in announcing the inter-ministerial study, risks repeating a historical mistake. In the 1960s, when world governments were choosing color television standard, Brazil's military dictators decided to go it alone by creating the PAL-M standard. Contrary to the GoB hope, PAL-M did not widely expand beyond Brazil and resulted in higher unit costs. (Note: Econoffs have heard ANATEL officers joke about the

failure of the PAL-M system many times over the course of the last year.) Convincing GoB officials that choosing an indigenous DTV standard would be to tread down the same false path twice will be one of Post's strategies in any upcoming debate on the subject.

COMMENT: MISSION RESPONSE

16. (SBU) The Minister's announcement indicated that the inter-ministerial group, to include the Ministry of Communications, the Ministry of Science and Technology, the Ministry of Trade and Development, and the Ministry of Foreign Relations, would conclude a study and present findings leading to a decision within the next six months. This affords ample mission time to engage the GoB on the merits of CPqD's paper, and to continue arguing that the ATSC standard presents the best path to achieving Brazilian social and economic goals. We will not be alone in pointing out the defects of a native Brazilian standard. There have already been editorials in Folha and the Sao Paulo Jornal da Tarde (left-leaning regional newspaper) calling Teixeira's concept "extreme" in the case of the former, and asserting the decision "would trade probable profits for certain losses" in the case of the latter. Informal meetings between Consulate Rio and high-level ANATEL advisors indicate similar sentiment, and ABERT (Associacao Brasilia de Emissoras de Radio e Televisao, whose largest member is Globo) has also already voiced concerns.

17. (SBU) The MOC's door is open. Advisors in the MOC say that Teixeira is interested in obtaining more information on ATSC, and is looking forward to a courtesy call with the Ambassador. Post strategy will be to stick to arguments concerning the potential economic gains available with ATSC while avoiding any sidetracking to technical aspects of the four potential standards, which has proven to be an unproductive red herring in the past. We will focus on convincing the GoB that North America is already the most well-developed market, and that neither the U.S. nor Canada produce televisions or place onerous barriers on their importation. On a practical level, we will maintain our relationship with the ATSC forum, placing them in contact with appropriate GoB decision-makers, and working toward facilitating information flow through frequent contact and visitor exchanges. Post suggests that continuation of last year's superb bilateral exchanges is also vital to maximizing communications and credibility.

18. (U) This cable was coordinated with Consulate Rio.

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